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## THE PUBLIC REGULATION OF CORPORATIONS— DISCUSSION OF JUDGE GROSSCUP'S ADDRESS

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After the very able and thorough discussion of general principles by the eminent judge who has preceded me, I do not care to take up general questions. I want to discuss simply and briefly certain details as to how certain things considered desirable are to be done. As Commissioner of Corporations I have more interest in the management of corporations than I have in their construction, for when the problem comes to me the question of construction has been largely settled—the question of management and conduct is the absorbing one.

I have no grudge against combination simply because it is combination. Combination is inevitable. The thing I am chiefly interested in is the use of the combination's power—not the existence of the combination, but the way it uses its power. There are two types of business men; they merge into each other, they overlap, but the two types themselves are very different. One is the business man, the captain of industry, who holds his position because he is giving better service or lower prices,—and that is the key to his position—because he is the best manufacturer, railroad man or salesman; because he is giving his attention to making or selling the best goods, to economies in manufacture or in distribution. That man and the public have the same interest. His success means our success. He can succeed only because he serves us better than the other man. That is one type.

The other type of man—and I know him very well in my investigations—is the man who gives his entire attention, not to improving his business efficiency, but to crippling the business efficiency of his competitor. He obtains railway rebates. The evil of railway rebates does not lie primarily in the saving of freight charges. The evil in a railway rebate is the effect on the competitor. Monopoly conditions are induced in favor of the man securing the rebate.

It is not the saving of expense; it is the monopoly condition which the recipient of the rebate especially desires and gets. Such a man as I speak of buys secret information from his competitor's employees or from railroads. He deliberately uses his best efforts to destroy the commercial and industrial machinery of others, and he gets all the profits that result because he is aiming to create a monopoly.

Those are the two types of men, and they represent the result of an evolutionary process. We are carrying on a process of evolution, of selection, in our industrial world, and it is with that process of selection that the government, I think, should concern itself. It is a matter of the survival of the fittest. The government wants to see this process such that the man who survives and becomes the captain of industry, who leads our great industrial forces, is the man of the first class I have described, the man who is trying to improve industrial machinery by improving his own, and who is not trying to cripple the industrial machinery of the country by crippling his competitor. We want to see that man survive who shares with us his profits. He will thus survive when the government brings our great financial and industrial forces under the law of equal opportunity.

The previous speaker very well emphasized the characteristics of this race as individualists. We do not ask the government to give us money and help. There is one thing we want it to give us, in the words of my chief—we want it to give us a square deal. In this matter of corporations we want the government to keep open the highways of business opportunity, to maintain that process of evolution which will bring the efficient worker to the top. It is perfectly obvious what that means. It means the abolition of unfair privileges, of oppressive measures, of unfair competition. What shall be our method of arriving at that square deal?

There are various remedies suggested. The one I feel will give the best results is the remedy of efficient publicity. When I came to Washington, four and a half years ago, I rather felt that publicity, as a cure for corporate evils, was a beautiful dream. I have changed my mind. If I could take the force of public opinion which is here to-night—if I had the power to state to you the facts of business so that you would understand them, grasp them swiftly, act intelligently on them—I would care little who made the law or

the corporation. That is the greatest force for the correction of any evil; that is the force we want to use for the control of corporations. When I say publicity, I mean efficient publicity. For this purpose there is little help in masses of figures, or rows of volumes. The average citizen, who represents public opinion, is not going to take time for that sort of thing. There is one thing he will read. Give him condensed, sharp, intelligible conclusions on business facts, that do not occupy more than a column of the newspaper, and he will read them. That it is the business of the government to do, through the agency of the Bureau of Corporations. Its work is to collect such information and present it in the shape of brief conclusions, absolutely impartial. The case is then laid before the final appellate court of public opinion, and we have no question of the decision.

The Bureau of Corporations is only the nucleus of what we should have. What is needed is a definite administrative system by which interstate corporations shall make regular reports, shall give this information as a matter of their own initiative to the government, in such shape that it can be digested by the government and placed before you for your consideration. That system will come.

We have before Congress, the Hepburn Bill, which is directed to some such action. I regret that I am not in a position to discuss that bill to-night. It would hardly be proper for me to do so under the peculiar circumstances of the case. I merely say that it represents very earnest and very intelligent effort on the part of able and honest men to arrive at a conclusion of this matter which will be practical—and which can be passed, which is also an essential to consider.

We have to go one step at a time, but in one way or another we are coming up to a system whereby the great corporations of the country, whose greatness is such that they are of public concern, shall report their operations to a central authority in the Federal Government in such a shape that you and I can form an intelligent and fair opinion of them. The corrective force of public opinion thus applied will give us the further advantage that this system will be a system of co-operation rather than a system of opposition. To-day, under the Sherman Law, the government and the corporate manager meet in collision, and that is the only way they meet, and the chief thing resulting from that sort of a meeting is friction. What we want is a system where they meet in converging lines, in conference,

in discussion beforehand rather than punishment afterwards, so that both the government and the corporate manager may come to the mutual establishment of the higher standard of business morals and the practical application of them, which is the most desirable thing in our corporate system.

In conclusion, I want to point out that this system, if adopted, means the utilization of one of the most valuable assets we have in this country. We Americans are a very practical, hard-headed race, and, on the other hand, we are the most sentimental race on earth. We are practical idealists. An ideal, I think, appeals to us more than to any other nation, and we have the practical faculty of carrying it out. Many of our great business men, our captains of industry, are in their way, idealists. The man who is working his life out at his desk as a corporate manager, who has more money now than he can spend on himself, is not giving his life and his energy simply for the accumulation of more money to spend for his own pleasures. He has some ideal in mind. It is the acquisition of power, the lust of strength. It is not mere gain he is after. It is something outside of himself. Once take that ideal which he has now, whatever it may be, lust of power, joy of success in the game, and turn that ideal toward the higher standards, toward the use of such power for the welfare of the public, and you have solved the great question as near as it can be solved prior to the millennium, because you have given a chance for human nature to work out along the lines of least resistance toward public ends.